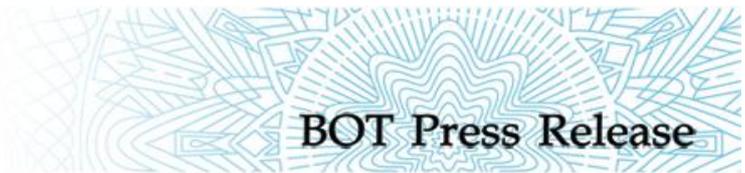




BANK OF THAILAND



BOT Press Release

Communications and Relations Office, Corporate Communications Department
Tel. 0-2283-5016-7 Fax. 0-2281-5648 www.bot.or.th

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Press Release on the Economic and Monetary Conditions for July 2017

In July 2017, the Thai economy continued to expand. The main growth drivers were continued expansions in merchandise exports and tourism sector, consistent with the steady improvement in external demand. Private investment and public spending expanded moderately. Manufacturing production increased from the same period last year, both production for exports and production to serve the domestic market. Private consumption expanded at a slower pace stemming from the deceleration in spending in the services sector.

On the stability front, headline inflation edged up slightly due mainly to higher energy prices. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account continued to post a surplus as supported by steady improvements in export value and the tourism sector.

Details of the economic conditions are as follows.

The value of **merchandise exports** continuously expanded in most product categories, with a growth of 8.0 percent compared to the same period last year. Excluding gold, the value of merchandise exports expanded by 12.2 percent. The expansion was on the back of (1) a continued improvement in external demand for electronics and optical appliances, particularly integrated circuits that support the Internet of Things and automotive parts, as well as telecommunication devices, especially reception apparatus for television; (2) relocation of production base to Thailand of motorcycle and mobile phone manufacturers; (3) low base effect of agricultural products and automobiles; and (4) temporary factors for exports of machinery and equipment, following the increased export of oil drilling equipment. The export trend was consistent with the expansion in **manufacturing production** for exports. Moreover, manufacturing production for domestic market also expanded, particularly in the production of food, due to the increased supply of raw material, and the production of automobiles, as a result of higher domestic demand. In addition, the low base effect of the manufacturing production index from the previous year contributed to the improvement in overall manufacturing production.

The number of **foreign tourists** posted a 4.8 percent annual growth thanks to growth in the number of tourists for almost all nationalities. The number of Chinese and ASEAN tourists, especially CLMV, continued to expand. Nevertheless, after seasonal adjustment, the number of foreign tourists decreased by 2.2 percent from the previous month, mainly from Malaysian and Indonesian tourists which declined after having accelerated from Hari Raya Aidilfitri holiday in the previous month.

Private consumption indicators grew at a slower pace, owing partly to the contraction in farm income, mainly from the plunged agricultural prices, which contracted for the first time this year. Spending on durable goods continued to expand, especially on motorcycles due to the low base effect. Passenger car sales, however, continued to expand. Spending on services grew at a slower pace, in line with the moderate growth in the number of tourists. However, fundamental factors supporting household purchasing power were not yet robust. Farm income trended to subdue from

decreased agricultural price outlook despite high agricultural production. In addition, non-farm income levelled off, consistent with the decreased in overall consumer confidence due to concern about purchasing power and agricultural price outlook.

Private investment indicators gained traction due to improved construction activities as reflected by the increase in construction material sales and permitted construction area, particularly construction in the commercial sector in Bangkok. Additionally, investment in machinery and equipment steadily grew in many product categories.

The value of **merchandise imports** grew by 18.3 percent from the same period last year. Excluding gold, the value of merchandise imports expanded by 10.9 percent. The increase was mainly from (1) imports of raw and intermediate materials, particularly for electronic parts, consistent with the expansion in exports of such products and imports of chemical products to serve the domestic use; (2) import of capital goods excluding aircrafts, ships, floating structures, and locomotive expanded following the increased import of machinery and equipment in the telecommunication sector; (3) import of fuel grew due mainly to the increased import of crude oil; and (4) import of consumer goods rose as the imports of food and beverage grew.

Public spending, excluding transfers, expanded due to current spending as a result of increased expenditure on compensation of civil servants, specifically the disbursements of the Office of the Basic Education Commission. Moreover, capital spending expanded following the increased disbursements on a provincial development budget and constructions projects from the Department of Highways.

On the stability front, headline inflation accelerated to 0.17 percent from -0.05 percent in the previous month. This was attributed to an increase in retail petroleum price following the increase in global crude oil price. Fresh food prices dropped at a slower pace compared to the previous month. Core inflation slightly increased from last month to reach 0.48 percent. The seasonally-adjusted unemployment rate remained unchanged from last month. The current account posted a smaller surplus due to lower trade surplus. The capital and financial accounts registered a surplus due to: (1) withdrawal of deposits abroad both by commercial banks to adjust their foreign currency position, and by foreign investment funds; (2) deposits in Thai commercial banks by foreign investors; and (3) foreign direct investment in equity security of a Thai commercial bank.

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Contact: Macroeconomic Team

Tel: +66 (0) 2283 5648, +66 (0) 2283 5639

e-mail: EPD-MacroEconomicsTeam1-2@bot.or.th